

9/27

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

FINANCIAL STATEMENTS

AND ADDITIONAL INFORMATION

FOR THE YEAR ENDED

MARCH 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/6/10

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
MARCH 31, 2010

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.

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September 18, 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Morehouse Community Improvement Organization, Inc.
Mer Rouge, Louisiana

We have audited the accompanying statement of financial position of Morehouse Community Improvement Organization, Inc. as of and for the year ended March 31, 2010, and the related statement of activities, statement of functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morehouse Community Improvement Organization, Inc. as of March 31, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Morehouse Community Improvement Organization, Inc. taken as a whole. The accompanying financial information listed as supplementary financial information in the table of contents and the accompanying Schedule of Expenditures of Federal Awards for the year ended March 31, 2010, are presented for purposes of additional analysis as required by the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations* and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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September 18, 2010

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Morehouse Community Improvement Organization, Inc.
Mer Rouge, Louisiana

We have audited the financial statements of Morehouse Community Improvement Organization, Inc. as of and for the year ended March 31, 2010, and have issued our report thereon dated September 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morehouse Community Improvement Organization, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, and is reported as item 10-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morehouse Community Improvement Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana R.S. 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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September 18, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors

Morehouse Community Improvement Organization, Inc.
Mer Rouge, Louisiana

Compliance

We have audited the compliance of Morehouse Community Improvement Organization, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2010. Morehouse Community Improvement Organization, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Morehouse Community Improvement Organization, Inc.'s management. Our responsibility is to express an opinion on Morehouse Community Improvement Organization, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with accounting standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morehouse Community

Improvement Organization, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Morehouse Community Improvement Organization, Inc.'s compliance with those requirements.

In our opinion, Morehouse Community Improvement Organization, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2010.

Internal Control Over Compliance

The management of Morehouse Community Improvement Organization, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Morehouse Community Improvement Organization, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely

basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-1 to be a material weakness.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana R.S. 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Johnston, Perry, Johnson & Associates, L.L.P.

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CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2010

ASSETS

CURRENT ASSETS

Cash in Bank	10,971
Accounts Receivable - Grants	<u>158,683</u>

<u>TOTAL CURRENT ASSETS</u>	<u>169,654</u>
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FIXED ASSETS

Furniture and Equipment (Net of Accumulated Depreciation)	<u>463,000</u>
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<u>TOTAL FIXED ASSETS</u>	<u>463,000</u>
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<u>TOTAL ASSETS</u>	<u>632,654</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Expenses	179,937
Advance Funding	<u>26,324</u>

<u>TOTAL LIABILITIES</u>	<u>206,261</u>
--------------------------	----------------

NET ASSETS

Unrestricted Net Assets	
Operations	(36,607)
Fixed Assets	463,000
Temporarily Restricted	<u>-</u>

<u>TOTAL NET ASSETS</u>	<u>426,393</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>632,654</u>
---	----------------

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF ACTIVITIES
MARCH 31, 2010

CHANGES IN UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

Support	
Grants	2,828,184
Interest Income - Grants	<u>396</u>
<u>TOTAL SUPPORT</u>	<u>2,828,580</u>
Revenue	
Meal Income	17,685
In-Kind Receipts	559,147
Other Income	<u>-</u>
<u>TOTAL REVENUE</u>	<u>576,832</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>3,405,412</u>

EXPENSES

Program Services	
Head Start	2,656,016
ARRA - Head Start	133,676
Child Care Food Program	<u>276,273</u>
<u>TOTAL PROGRAM SERVICES</u>	<u>3,065,965</u>
Support Services	
General and Administrative	<u>252,216</u>
<u>TOTAL SUPPORT SERVICES</u>	<u>252,216</u>
<u>TOTAL EXPENSES</u>	<u>3,318,181</u>

<u>(INCREASE) DECREASE IN UNRESTRICTED NET ASSETS</u>	<u>87,231</u>
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<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>	<u>-0-</u>
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SUPPORT AND REVENUE

Grants	<u>-</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>-0-</u>

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF ACTIVITIES (CONTINUED)
MARCH 31, 2010

<u>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</u>	<u>-0-</u>
<u>INCREASE (DECREASE) IN TOTAL NET ASSETS</u>	<u>87,231</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	
Unrestricted	339,162
Temporarily Restricted	-
<u>TOTAL NET ASSETS - BEGINNING OF YEAR</u>	<u>339,162</u>
<u>NET ASSETS - END OF YEAR</u>	
Unrestricted	426,393
Temporarily Restricted	-
<u>TOTAL NET ASSETS -END OF YEAR</u>	<u>426,393</u>

The accompanying notes are an integral part of these financial statements.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
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MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF FUNCTIONAL EXPENSES
MARCH 31, 2010

	ARRA HEAD START	HEAD START	CHILD CARE FOOD PROGRAM	TOTAL PROGRAM SERVICES
Salaries	48,213	1,219,731	104,757	1,372,701
Fringes	32,242	417,775	-	450,017
<u>TOTAL PERSONNEL</u>	<u>80,455</u>	<u>1,637,506</u>	<u>104,757</u>	<u>1,822,718</u>
Travel	-	8,205	3,800	12,005
Supplies	40,373	35,837	3,858	80,068
Food	-	2,435	133,174	135,609
Contractual	-	47,637	600	48,237
Other Costs	12,848	286,634	28,188	327,670
In-Kind - Personal	-	170,213	-	170,213
In-Kind - Space	-	206,808	-	206,808
In-Kind - Other	-	182,126	-	182,126
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	<u>133,676</u>	<u>2,577,401</u>	<u>274,377</u>	<u>2,985,454</u>
<u>DEPRECIATION</u>	<u>-</u>	<u>78,615</u>	<u>1,896</u>	<u>80,511</u>
<u>TOTAL EXPENSES</u>	<u>133,676</u>	<u>2,656,016</u>	<u>276,273</u>	<u>3,065,965</u>

	GENERAL AND ADMINISTRATIVE	TOTAL EXPENSES
Salaries	149,324	1,522,025
Fringes	29,372	479,389
<u>TOTAL PERSONNEL</u>	<u>178,696</u>	<u>2,001,414</u>
Travel	1,194	13,199
Supplies	7,189	87,257
Food	-	135,609
Contractual	20,740	68,977
Other Costs	37,774	365,444
In-Kind - Personal	-	170,213
In-Kind - Space	-	206,808
In-Kind - Other	-	182,126
<u>TOTAL EXPENSES BEFORE DEPRECIATION</u>	<u>245,593</u>	<u>3,231,047</u>
<u>DEPRECIATION</u>	<u>6,623</u>	<u>87,134</u>
<u>TOTAL EXPENSES</u>	<u>252,216</u>	<u>3,318,181</u>

The accompanying notes are an integral part of these financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF CASH FLOWS
MARCH 31, 2010

CASH FLOWS USED FOR OPERATING ACTIVITIES:

Change in Net Assets	87,231
Adjustments to Reconcile Changes in Net Assets To Net Cash Used for Operating Activities:	
Depreciation	87,134
(Increase) Decrease in Accounts Receivable - Grants	(126,638)
(Increase) Decrease in Accounts Payable and Accrued Expenses	133,314
Increase (Decrease) in Advance Funding	<u>26,324</u>
Net Cash Provided (Used) for Operating Activities	<u>207,365</u>

CASH FLOWS USED FOR INVESTING ACTIVITIES:

Purchase of Fixed Assets	(200,285)
Net Cash Provided (Used) for Investing Activities	(200,285)

NET INCREASE IN CASH AND CASH EQUIVALENTS 7,080

CASH AND CASH EQUIVALENTS - MARCH 31, 2009 3,891

CASH AND CASH EQUIVALENTS - MARCH 31, 2010 10,971

SUPPLEMENTAL DATA

Interest Paid	-0-
Income Taxes Paid	-0-

The accompanying notes are an integral part of these financial statements.

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JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Presentation:

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America for not-for-profit organizations.

B. Organization:

Morehouse Community Improvement Organization, Inc. was organized to promote and develop economic opportunities for the people of Morehouse and West Carroll parishes. The Agency is operated exclusively for charitable, educational, and scientific purposes. The main operation is a Head Start program. The Agency is not a component unit of any other governmental organization.

C. Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

E. Fixed Assets:

Fixed assets acquired by the Agency are considered to be owned by the Agency. However, State and Federal funding sources maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State and Federal governments have a reversionary interest in those assets purchased with its funds which have a cost of \$1,000 or more.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fixed Assets: (Continued)

The Agency follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the estimated service lives of the assets.

The following yearly lives have been assigned to the fixed assets:

Computer Equipment and Vehicles	5
Furniture, Fixtures and Equipment	7
Improvements	10
Buildings	39

Net values are computed as follows:

Computer Equipment and Vehicles	565,009
Furniture, Fixtures and Equipment	603,057
Improvements	388,304
Buildings	<u>128,167</u>

Total	1,684,537
Less: Accumulated Depreciation	<u>1,221,537</u>

<u>NET VALUE</u>	<u>463,000</u>
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F. Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fund raising costs are not material.

H. Cash in Bank:

All funds are in institutions insured by an agency of the Federal Government, the Federal Deposit Insurance Corporation. Government securities with a PAR value of \$100,000 have been pledged to secure amounts over \$100,000. The Agency had \$-0- in the bank that was not insured by an agency of the federal government or a pledge of securities.

I. Related Party Transactions:

There were no related party transactions for the year ended March 31, 2010.

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS

The Agency receives its monies through various methods of funding. Most of the funds are received on a grant basis from federal, state and local sources. Under this method funds are received as needed or on a monthly or quarterly allocation of the total budget (grant) in advance of the actual expenditure. The Agency also receives funds as a reimbursement of actual expenditures, and upon a per unit of service provided method. The Agency also receives funds by contributions from both public and private sources.

Grants and contracts received for the period April 1, 2009 to March 31, 2010 are as follows:

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2010

NOTE 2 - FUNDING POLICIES AND SOURCES OF FUNDS (Continued)

<u>Funding Source</u>	<u>Revenue Recognized</u>
Federal	
Department of Health and Human Services (Excludes Interest Earned on Grant Funds)	
Head Start	2,463,818
ARRA Head Start	133,676
Louisiana	
Department of Education	230,690

The loss of either of these funding sources could have a negative effect on the Agency. The Head Start and ARRA Head Start programs are considered major programs.

NOTE 3 - GRANTS RECEIVABLE

Grants receivable at March 31, 2010, consists of reimbursements for expenses incurred under the various grant programs. The following list presents grants receivable by fund at March 31, 2010:

Department of Education	27,295
Department of Health and Human Services	<u>131,388</u>
<u>TOTAL</u>	<u>158,683</u>

NOTE 4 - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 5 - IN-KIND CONTRIBUTIONS

The Agency received various in-kind contributions during the year from private and public sources. These contributions have been reported as revenues, and the offsetting expenses have been reported in the financial statements.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2010

NOTE 6 - INCOME TAX STATUS

The Agency, a non-profit corporation, is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

NOTE 7 - ACCRUED LEAVE

Management has determined that the liability for accrued leave, if any, is not material.

NOTE 8 - NONCOMPLIANCE FINDINGS AND QUESTIONED COSTS

The Agency receives funding/grants from various government agencies and such funding is subject to certain requirements and conditions. The items listed in the schedule of findings and questioned costs will be reviewed by the appropriate funding agency and a final resolution of the questioned costs will be made by such agency.

NOTE 9 - FINANCIAL STATEMENT PRESENTATION

Accounting standards require the Agency to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. They also require recognition of contributions, including contributed services meeting certain criteria, at fair values. Standards have been established for general purpose external financial statements of not-for-profit organizations, and a statement of financial position, a statement of activities, and a statement of cash flows are required.

NOTE 10 - LEASES

The Agency had an annual lease with the St. John's Community Enrichment Center (CEC), effective August 1, 2000 that calls for payments in the amount of \$2,800 per month for use of facilities, and is renewable for up to fifteen years.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2010

NOTE 11 - SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Agency through September 18, 2010 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTE 12 - UNCERTAIN TAX POSITIONS:

The Agency is subject to examination by various taxing authorities, including federal income tax examinations. Management has reviewed the Agency's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements.

SUPPLEMENTARY FINANCIAL INFORMATION

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
 MER ROUGE, LOUISIANA
 COMBINING BALANCE SHEET - ALL PROGRAMS
 FOR THE YEAR ENDED MARCH 31, 2010

	<u>GENERAL</u>	<u>ARRA HEAD START</u>	<u>HEAD START (HEW)</u>	<u>CHILD CARE FOOD PROGRAM</u>
<u>CURRENT ASSETS</u>				
Cash	-	-	7,590	3,381
Accounts Receivable -				
Grants	-	-	131,388	27,295
Due from Other Funds	-	26,324	29,374	1,805
<u>TOTAL CURRENT ASSETS</u>	<u>-0-</u>	<u>26,324</u>	<u>168,352</u>	<u>32,481</u>
<u>FIXED ASSETS AND PROPERTY</u>				
Furniture and Equipment, at Cost	-	-	-	-
<u>TOTAL FIXED ASSETS AND PROPERTY</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>TOTAL ASSETS</u>	<u>-0-</u>	<u>26,324</u>	<u>168,352</u>	<u>32,481</u>
<u>CURRENT LIABILITIES</u>				
Accounts Payable and				
Accrued Expenses	-	-	166,086	13,851
Advance Funding	-	26,324	-	-
Due to Other Funds	-	-	1,805	55,698
<u>TOTAL LIABILITIES</u>	<u>-0-</u>	<u>26,324</u>	<u>167,891</u>	<u>69,549</u>
<u>NET ASSETS</u>				
Unrestricted Net Assets				
Operations	-	-	461	(37,068)
Fixed Assets and Property	-	-	-	-
Temporarily Restricted Net Assets	-	-	-	-
<u>TOTAL NET ASSETS</u>	<u>-0-</u>	<u>-0-</u>	<u>461</u>	<u>(37,068)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>-0-</u>	<u>26,324</u>	<u>168,352</u>	<u>32,481</u>

SCHEDULE I
(CONTINUED)

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
COMBINING BALANCE SHEET - ALL PROGRAMS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2010

	FIXED ASSETS AND PROPERTY	INTERFUND ELIMINATION	TOTAL MEMORANDUM ONLY
<u>CURRENT ASSETS</u>			
Cash	-	-	10,971
Accounts Receivable -			
Grants	-	-	158,683
Due from Other Funds	-	(57,503)	-0-
<u>TOTAL CURRENT ASSETS</u>	-0-	(57,503)	169,654
<u>FIXED ASSETS AND PROPERTY</u>			
Furniture and Equipment, at Cost	463,000	-	463,000
<u>TOTAL FIXED ASSETS AND PROPERTY</u>	463,000	-0-	463,000
<u>TOTAL ASSETS</u>	463,000	(57,503)	632,654
<u>CURRENT LIABILITIES</u>			
Accounts Payable and			
Accrued Expenses	-	-	179,937
Advance Funding	-	-	26,324
Due to Other Funds	-	(57,503)	-0-
<u>TOTAL LIABILITIES</u>	-0-	(57,503)	206,261
<u>NET ASSETS</u>			
Unrestricted Net Assets			
Operations	-	-	(36,607)
Fixed Assets and Property	463,000	-	463,000
Temporarily Restricted Net Assets	-	-	-0-
<u>TOTAL NET ASSETS</u>	463,000	-0-	426,393
<u>TOTAL LIABILITIES AND NET ASSETS</u>	463,000	(57,503)	632,654

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.

MER ROUGE, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
GRANTOR BASIS
FOR THE YEAR ENDED MARCH 31, 2010

	GENERAL	ARRA HEAD START	HEAD START (HEW)	CHILD CARE FOOD PROGRAM
<u>SUPPORT AND REVENUE</u>				
Grants - ARRA Head Start	-	133,676	-	-
Grants - HEW	-	-	2,463,818	-
Grants - USDA Food Services	-	-	-	230,690
Lunch Receipts	-	-	-	17,685
In-Kind Contributions	-	-	559,147	-
Interest	-	-	314	82
Other	-	-	-	-
Reclassification of Net Assets	-	-	-	-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>-0-</u>	<u>133,676</u>	<u>3,023,279</u>	<u>248,457</u>
<u>EXPENSES</u>				
Personnel	-	48,213	1,369,055	104,757
Fringe Benefits	-	32,242	447,147	-
Travel	-	-	9,399	3,800
Contractual	-	-	68,377	600
Supplies	-	40,373	43,026	3,858
Other Costs	-	12,848	324,408	28,188
Food	-	-	2,435	133,174
Capital Outlay	-	-	200,285	-
In-Kind Expenditures	-	-	559,147	-
Depreciation	-	-	-	-
<u>TOTAL EXPENSES</u>	<u>-0-</u>	<u>133,676</u>	<u>3,023,279</u>	<u>274,377</u>
<u>EXCESS REVENUE OVER EXPENDITURES</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(25,920)</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>-0-</u>	<u>-0-</u>	<u>461</u>	<u>(11,148)</u>
<u>RECLASSIFICATION OF NET ASSETS</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>ACQUISITION OF PROPERTY</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>NET ASSETS - END OF YEAR</u>	<u>-0-</u>	<u>-0-</u>	<u>461</u>	<u>(37,068)</u>

SCHEDULE II
(CONTINUED)

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS -
GRANTOR BASIS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2010

	<u>FIXED ASSETS</u>	<u>TOTAL MEMORANDUM ONLY</u>
<u>SUPPORT AND REVENUE</u>		
Grants - ARRA Head Start	-	133,676
Grants - HEW	-	2,463,818
Grants - USDA Food Services	-	230,690
Lunch Receipts	-	17,685
In-Kind Contributions	-	559,147
Interest	-	396
Other	-	-0-
Reclassification of Net Assets	-	-0-
<u>TOTAL SUPPORT AND REVENUE</u>	<u>-0-</u>	<u>3,405,412</u>
<u>EXPENSES</u>		
Personnel	-	1,522,025
Fringe Benefits	-	479,389
Travel	-	13,199
Contractual	-	68,977
Supplies	-	87,257
Other Costs	-	365,444
Food	-	135,609
Capital Outlay	(200,285)	-0-
In-Kind Expenditures	-	559,147
Depreciation	<u>87,134</u>	<u>87,134</u>
<u>TOTAL EXPENSES</u>	<u>(113,151)</u>	<u>3,318,181</u>
<u>EXCESS REVENUE OVER EXPENDITURES</u>	<u>113,151</u>	<u>87,231</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>349,849</u>	<u>339,162</u>
<u>RECLASSIFICATION OF NET ASSETS</u>	<u>-0-</u>	<u>-0-</u>
<u>ACQUISITION OF PROPERTY</u>	<u>-0-</u>	<u>-0-</u>
<u>NET ASSETS - END OF YEAR</u>	<u>463,000</u>	<u>426,393</u>

SCHEDULE III

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2010

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>Department of Agriculture</u>			
<u>State of Louisiana/</u>			
<u>Department of Education</u>			
<u>Child Care Food Program</u>			
FYE March 31, 2010	10.558	N/A	230,690
 <u>Department of Health and</u>			
<u>Human Services</u>			
* Head Start	93.600	06CH0148/30	2,463,818
* ARRA Head Start	93.708	N/A	133,676

* Major Federal Program

SCHEDULE III
(CONTINUED)

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2010

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Morehouse Community Improvement Organization, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2 SUBRECIPIENTS

Morehouse Community Improvement Organization, Inc. did not provide federal awards to subrecipients.

SCHEDULE IV

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
COMPENSATION TO BOARD MEMBERS
FOR THE YEAR ENDED MARCH 31, 2010

No compensation was paid any board member during the year under audit.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified: ☒ yes ☐ no

* Significant deficiency(s) identified that are not
Considered to be material weaknesses? ☐ yes ☒ no

Noncompliance material to financial statements noted? ☒ yes ☐ no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified: ☒ yes ☐ no

* Significant deficiency(s) identified that are not
Considered to be material weaknesses? ☐ yes ☒ no

Type of auditors' report issued on compliance for major programs:
Unqualified

Any audit findings disclosed that are required to be
Reported in accordance with Section 510(a) of
Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Department of Health & Human Services - Head Start
93.708	- ARRA Head Start

Dollar threshold used to distinguish
Between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2010

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

10-1

Criteria: Agencies should maintain adequate funding and manage grant monies in a prudent manner.

Condition: We noted that the Agency has a deficit in its Unrestricted Net Assets - Operations.

Questioned Cost: None

Context: The Agency maintains a food program through the Louisiana Department of Education. Some of the excess costs of the program are reimbursed by other funds. The funding has not been adequate to cover rising costs. The amount owed to other funds has increased, causing the Child Care Food Program to have an increased deficit in its unrestricted net assets. Such deficit is related to Head Start expenditures exceeding the budget and the Child Care Food Program not being able to absorb the costs.

Effect: The Agency has a Net Assets - Operations deficit and may not have funds to cover future operating expenses.

Cause: The Agency and the Board of Directors have not monitored the program closely.

Recommendation: We recommend that the Agency develop a plan to reduce this deficit over the next year and for the Board of Directors to more closely monitor spending.

Response: Management and the Board of Directors have met to discuss the problem and have developed a plan to reduce costs and reduce the deficit. The Board of Directors has implemented plans to reduce the deficit in operations. The Board will closely monitor lunch attendance to ensure lunch reimbursement monies are at the maximum allowed and will prepare meals for the number of students that come to the program each day instead of the number of students enrolled in the program. In addition, the budget committee of the Board of Directors will meet monthly to review expenditures and revenues.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2010

SECTION III - MAJOR PROGRAMS FINANCIAL STATEMENT FINDINGS AND
QUESTIONED COSTS

10-1

Criteria: Agencies should maintain adequate funding and manage grant monies in a prudent manner.

Condition: We noted that the Agency has a deficit in its Unrestricted Net Assets - Operations.

Questioned Cost: None

Context: The Agency maintains a food program through the Louisiana Department of Education. Some of the excess costs of the program are reimbursed by other funds. The funding has not been adequate to cover rising costs. The amount owed to other funds has increased, causing the Child Care Food Program to have an increased deficit in its unrestricted net assets. Such deficit is related to Head Start expenditures exceeding the budget and the Child Care Food Program not being able to absorb the costs.

Effect: The Agency has a Net Assets - Operations deficit and may not have funds to cover future operating expenses.

Cause: The Agency and the Board of Directors have not monitored the program closely.

Recommendation: We recommend that the Agency develop a plan to reduce this deficit over the next year and for the Board of Directors to more closely monitor spending.

Response: Management and the Board of Directors have met to discuss the problem and have developed a plan to reduce costs and reduce the deficit. The Board of Directors has implemented plans to reduce the deficit in operations. The Board will closely monitor lunch attendance to ensure lunch reimbursement monies are at the maximum allowed and will prepare meals for the number of students that come to the program each day instead of the number of students enrolled in the program. In addition, the budget committee of the Board of Directors will meet monthly to review expenditures and revenues.

MOREHOUSE COMMUNITY IMPROVEMENT ORGANIZATION, INC.
MER ROUGE, LOUISIANA
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS
MARCH 31, 2010

09-1

Finding: Timesheets were not approved on 16 of 84 timesheets reviewed.

Status: Cleared

09-2

Finding: We noted that the Agency has a deficit in its Unrestricted Net Assets - Operations.

Status: Uncleared

09-3

Finding: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries and to prepare the Project's annual financial statements. This condition is intentional by management based upon the Project's financial complexity, along with the cost effectiveness of acquiring the ability to prepare financial statements in accordance with generally accepted accounting principles. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, in accordance with generally accepted accounting principles, have not been established. Under generally accepted auditing standards, this condition represents a significant deficiency in internal controls.

Status: Cleared